



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-9000

THE GOVERNMENT NATIONAL
MORTGAGE ASSOCIATION

July 29, 2004

04-06

MEMORANDUM FOR: All Participants in Ginnie Mae Programs
FROM: George S. Anderson, Executive Vice President
SUBJECT: Introduction of Custom Hybrid ARM Pooling Options

Ginnie Mae is pleased to announce new custom hybrid ARM pooling options that will complement the existing multiple issuer pool offerings. Custom hybrid ARM pools are eligible for issuance on or after September 1, 2004, under the Ginnie Mae II mortgage-backed securities program.

Issuers must use GinnieNET Version 6.0 (“GinnieNET 6.0”) for all pools submitted electronically with an issue date of September 1, 2004, or later. GinnieNET 6.0 software has been upgraded to accommodate the new custom hybrid products. The upgraded software is being mailed to issuers and document custodians under separate cover (see All Participants Memorandum 04-08, dated July 29, 2004).

Ginnie Mae will guarantee hybrid ARM loans in pools backed by Federal Housing Administration (“FHA”) 3-, 5-, 7- and 10-Year hybrid ARMs, and Department of Veterans Affairs (“VA”) 3- and 5-Year hybrid ARMs. Hybrid ARM loans may be securitized in custom pools no later than 60 days prior to the first mortgage interest rate adjustment date.

New suffix designations have been created for the custom hybrid ARM products as follows:

Hybrid ARM Product Type	New Suffix
3-Year	C AT
5-Year	C AF
7-Year	C AS
10-Year	C AX

To be eligible for pooling, all loans must have identical interest adjustment dates and the note rate must be 25-75 basis points above the security rate. The security rate adjustment must occur one month after the mortgage interest rate adjustment. Consistent with multiple issuer hybrid ARM pools, the custom hybrid ARM adjustment dates will also be January 1, April 1, July 1, and October 1. Custom hybrid ARM loan pools will be eligible for the Pool Issuance and Immediate Transfer (“PIIT”) and Targeted Lending Initiative (“TLI”) pooling options.

The table below indicates the mortgage and security interest rate adjustment time frames for the hybrid ARM products, as well as annual and life-of-the-loan caps.

Hybrid ARM Type	Suffix	Mortgage Interest Rate Adjustments	Security Interest Rate Adjustments	Annual Cap (after initial fixed rate period)	Life-of-the-Loan Cap
Custom 3-Year	C AT	No sooner than 36 months nor later than 42 months	No sooner than 37 months nor later than 39 months	1 percentage point	5 percentage points
Custom 5-Year	C AF	No sooner than 60 months nor later than 66 months	No sooner than 61 months nor later than 63 months	1 percentage point	5 percentage points
Custom 7-Year	C AS	No sooner than 84 months nor later than 90 months	No sooner than 85 months nor later than 87 months	2 percentage points	6 percentage points
Custom 10-Year	C AX	No sooner than 120 months nor later than 126 months	No sooner than 121 months nor later than 123 months	2 percentage points	6 percentage points

Important: Hybrid ARMs may be securitized in custom pools no later than 60 days before the first mortgage interest rate adjustment date.

Additional information relating to custom hybrid ARMs may be found in Chapter 26 of Ginnie Mae Mortgage-Backed Securities Guide 5500.3, and may be accessed on Ginnie Mae's website at www.ginniemae.gov. If you have any questions regarding this announcement, please contact your Account Executive in the Office of Mortgage- Backed Securities at (202) 708-1535.